



# The price of illicit trade in Egypt: Illicit trade empowers criminals at the expense of ordinary people

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## ARTICLE INFO

### Keywords:

Illicit trade inflation poverty Economic pressures informal market Egypt

## ABSTRACT

Egyptians face a daily struggle, with rising inflation and high poverty rates. Beyond the economic pressures, many live under the threat of crime, including terrorism, trafficking, and organized violence. Illicit trade fuels these crimes by providing criminal networks with financial means and infrastructure. It also spreads lawbreaking and violence, and weakens the state's capacity to act. As a result, illicit trade harms ordinary Egyptians. Reducing illicit trade will weaken criminal networks and improve Egyptians' safety. To reduce illicit trade, enforcement is needed at both entry points and within markets. New technologies such as big data and AI can render enforcement faster, smarter, and more effective. However, enforcement alone risks failing to effectively reduce illicit trade. As long as consumers continue buying smuggled goods, smugglers will find new ways to move them. Offering legal, affordable alternatives is therefore key to reduce demand for illicit goods.

## 1. Introduction: Egyptians face a daily economic struggle and poverty

Egypt has long stood as a symbol of strength. From its ancient civilization to its modern leadership, it has stood for continuity, culture, and national identity. Egyptians have contributed to global progress, from early writing systems to advances in medicine, architecture, mathematics, art, and religion (Shaw, 2007). These achievements reflect the perseverance of its people, shaped over generations.

However, Egyptians faced persistent challenges of colonial rule, foreign interference, and climate shocks. Egypt's location has made it vulnerable to regional conflicts. In the 20th century alone, it endured British occupation until 1952 and multiple wars. Rural communities suffered from droughts and the environmental impact of the Aswan High Dam, which disrupted traditional farming.

The 21st century brought new pressures. The 2011 Arab Spring led to regime change and prolonged political instability. Conflicts in Libya, Sudan, Gaza, and Syria have added security risks and brought waves of refugees. These factors have exacerbated daily hardships.

Economic instability has deepened the suffering. Inflation hit 40 % in 2023 (see Fig. 1). Over the past four years, consumer prices more than doubled, making essentials unaffordable for many. Currency devaluation increased the cost of living. The Egyptian pound fell from 15.6 per USD in 2021 to 47.8 in 2024 (see Fig. 2), sharply reducing purchasing power and rendering imported goods out of reach for most families.

Rising prices and falling real incomes have pushed many families below the poverty line. According to the World Bank, 31.4 million people or nearly one in three Egyptians live below the national poverty line (World Bank 2023).

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<https://doi.org/10.1016/j.rie.2025.101094>

Received 9 August 2025; Accepted 8 September 2025

Available online 10 September 2025

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The government has limited capacity to respond. Public debt remains near 90 % of GDP. External debt grew from 7.9 % in 2016 to 27.1 % in 2024 (World Bank 2023). As debt service costs rise, there is little fiscal space to stabilize the economy or enhance social protection. As a result, the quality of and access to public services is stagnating at a low level or even deteriorating.

Challenges in the healthcare system reflect the crisis in public services. Each year, Egypt spends \$64.8 per person on public healthcare, far below the \$167.1 average for middle-income countries (World Bank 2025). This underfinancing leads to poor healthcare infrastructure, for example in hospitals. For instance, the number of beds per 1000 people has dropped from 2.1 in 2006 to 1.1 in 2020. By contrast, middle-income countries average 2.8 (Fig. 3) (World Bank 2025).

Limited healthcare spending means Egyptians pay most health costs out of pocket, which accounts for 53.8 % of total healthcare expenditure (World Bank 2025). This strains families’ budgets and forces Egyptians to cut back on other essentials to afford healthcare. As a result, weak social protection compounds economic hardship, turning everyday life into a struggle for millions of Egyptians.

The fast-growing population will intensify the pressure. Egypt’s population rose from 77.9 million in 2003 to 114.5 million in 2023, which is an increase of 47 % (World Bank 2025). High fertility rates will continue to add nearly two million people each year. This will strain services such as schools, hospitals, and housing in the foreseeable future, widening inequality and leaving more people behind (European Parliament 2018).

2. Problem: crime deepens the daily struggle and harms ordinary Egyptians

Beyond economic hardship and weak social protection, many Egyptians face threats from organized crime and terrorism. In 2025, Egypt ranks 20th on the Global Terrorism Index out of 163 countries (Institute for Economics and Peace 2024). Since 2000, Egyptians have suffered from more than 2100 terrorist incidents, averaging one per week for over two decades.

| Global Terrorism Index 2025 |              |
|-----------------------------|--------------|
| Rank                        | Country      |
| 1                           | Burkina Faso |
| 2                           | Israel       |
| 3                           | Mali         |
| 4                           | Pakistan     |
| ...                         |              |
| 19                          | Philippines  |
| 20                          | Egypt        |
| 21                          | Chad         |

Source: Vision Of Humanity (2025). Global Terrorism Index.

These attacks have claimed about 4200 lives (A. Younes et al., 2023). Each death is a personal tragedy. Families are left with lasting trauma and may lose their main source of income. For others, the constant threat of violence creates fear, disrupts routines, and makes daily life more difficult. Such security threats increase daily pressure and erode trust.

While many of the attacks target ordinary people, others aim at government institutions, police officers or military (72 %) (A. Younes et al., 2023; The UK Government 2024). As a result, attacks not only cost lives and raise fear but also disrupt public services.

Trafficking adds another layer of insecurity. UN data shows a rising number of human trafficking victims in Egypt. Between 2015 and 2021, the reported number increased fourfold (from 72 cases to 296 cases). The actual scale is likely far greater, as trafficking is notoriously underreported.

In countries with similar populations, like Japan, reported cases are far lower. Egypt now faces levels comparable to high-risk countries like Mexico (247 cases), Türkiye (343 cases), Brazil (539 cases). (Fig. 4)

Children are the most vulnerable. About 61 % of reported trafficking victims are minors (2015–2021). Nearly 40 % are forced into

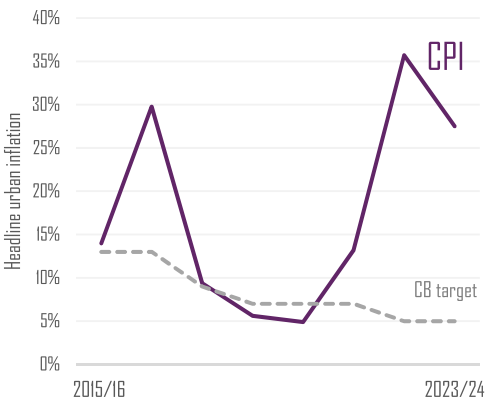


Fig. 1. Headline urban inflation in Egypt. Source: Egyptian center for economic studies (2025). Egypt’s Economic Profile and Statistics.

labor, while 17 % are trafficked for sex (UN Office on Drugs and Crime 2024). Some become victims of organ trafficking. Globally, one in ten organ transplants is believed to be linked to organ trafficking (A. The Guardian 2024). Egypt is among the countries most affected from organ trafficking, alongside Pakistan, India, Turkey, and the Philippines (A. The Guardian 2024). As a result, trafficking in Egypt destroys lives and deepens fear.

On top of economic and social hardship, the threat of violence and exploitation imposes a psychological cost on citizens. It can leave families feeling hopeless, and undermine Egyptians' trust in the state.

### 3. Cause: the pyramid of smuggled goods is taller than Giza

Crime often begins not with violence, but with shopping. The informal economy in Egypt, which includes unregistered businesses and untaxed income, has grown as large as the formal one. According to the Ministry of Planning, the informal market accounts for half of Egypt's GDP (Andersen, 2024). Many legal firms struggle to compete unless they also operate informally (Middle East Eye 2023). Bureaucratic hurdles make informal trade even more compelling. As a result, many firms, especially small ones, choose to operate informally. Around 85 % of small and medium-sized businesses in Egypt are informal (PWC 2020).

The main reason for such a large informal market is low prices. Goods in informal market are 30–40 % cheaper (Hüsken, 2017). For many families struggling with inflation and the depreciation of the Egyptian pound, buying from the informal market is the only way to make ends meet.

Goods in the informal market are often cheaper because they are **smuggled**. These goods enter Egypt through hidden routes and bypass customs, taxation and inspections. In 2024, Egyptian customs authorities seized 50,000 smuggling cases (Egypt Government 2025). The number of cases that goes undetected is likely much higher. These untaxed smuggled goods create an **illicit trade** system and undercut legal prices.

The range of smuggled goods in Egypt is broad, including fabrics and textiles, mobile phones, cigarettes, drugs, and antiquities.

#### 3.1. Fabrics and textiles

In early 2023, customs stopped 4300 attempts to smuggle fabric, clothing, and high-end counterfeit fashion items, resulting in EGP 3.6 billion in fines (SeeNews 2023).

The actual size of illicit textile trade is unknown. Once a pillar of the economy, Egypt's textile industry has shrunk from 40 % of GDP in its prime to just 2.5 %, according to the Prime Minister (A. State Information Service 2023). Smuggling likely replaced a portion of legal supply with cheaper alternatives.

The government plans to invest \$1.1 billion to revive the industry and create jobs (The New Arab 2025; Albawabhnews 2025). However, without curbing smuggling, investment risks being undermined, as the formal sector will struggle to compete with low-priced illicit goods.

#### 3.2. Mobile phones

The case of mobile phones shows how deeply smuggling has penetrated certain markets. In 2023–2024, 80 % of all phones sold in Egypt were smuggled, according to Egypt's telecommunications regulator (We Are Tech 2025).

Lower-priced smuggled phones in the market discourage formal trade and manufacturers from investing. Business associations estimate that EGP 4.5 billion (about \$145 million) in telecom investment is at risk (Daily News Egypt 2025).

#### 3.3. Cigarettes

Cigarette smuggling in Egypt is on the rise. With 18 million Egyptians smoking, cigarettes remain a highly demanded consumer

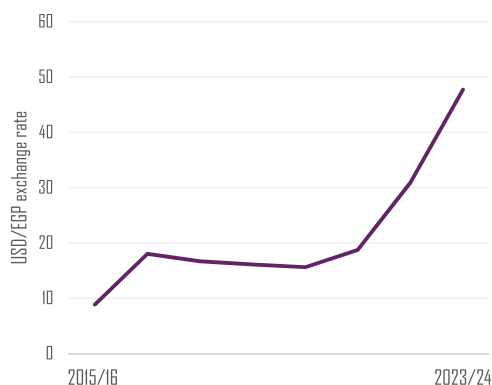
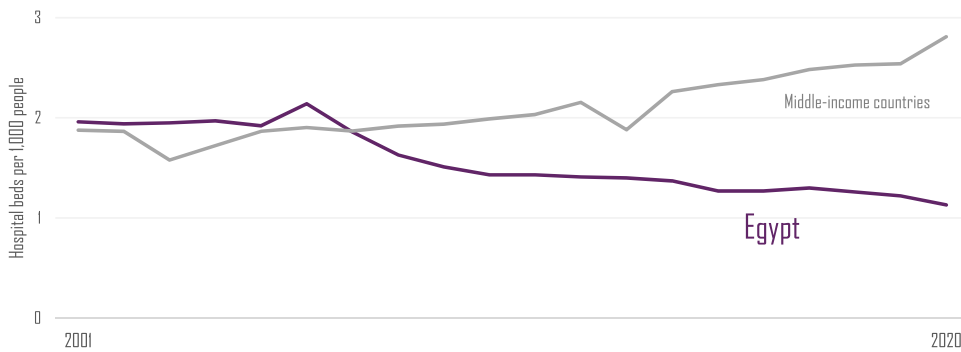
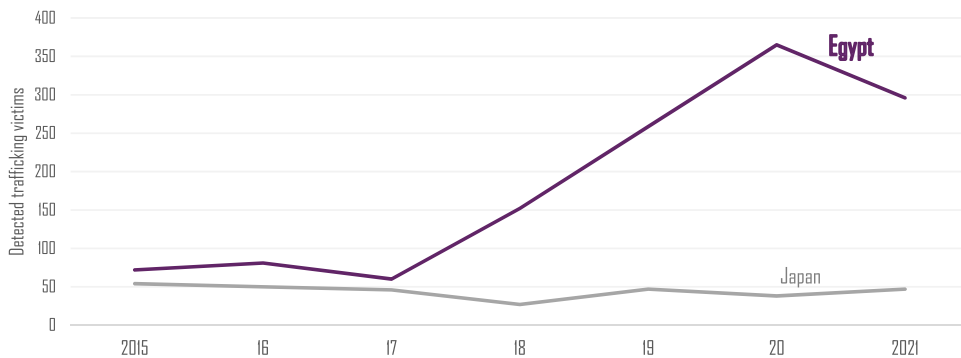


Fig. 2. US Dollar to Egyptian pound.



**Fig. 3.** Number of hospital beds per 1000 people in Egypt and in middle-income countries (Average). Source: World Bank (2025). Hospital beds (per 1000 people).



**Fig. 4.** Number of detected human trafficking victims in Egypt and Japan (similar population size). Source: UN OFFICE ON DRUGS AND CRIME (2024). Trafficking in persons. Note: Egypt's 2019 data is an estimate, calculated as the average of 2018 and 2020 figures.

good (A. Ahram Online 2023). The share of illicit cigarettes was only 8 % in 2017 (Ministry of Finance, Egypt 2018). By 2024, it had increased to 13.5 % (Suleiman, 2025). Illegal e-cigarettes also add to the illicit trade. While there is no concrete data for Egypt, about 80 % of e-cigarettes sold in the Middle East are illicit (A. Euromonitor 2025). In Egypt, around half of all e-cigarettes used are open-system products, which tend to have higher illicit market shares. This suggests that a large share of e-cigarette use in Egypt is likely illicit (A. Euromonitor 2025).

Shortages in legal supply contributed to the rise in illicit tobacco trade. In late 2023, Egypt's Eastern Tobacco Company announced a supply shortage, followed by a price hike in 2024 (A. Ahram Online 2023; A. Ahram Online 2023). Rising taxes also contributed to higher prices. In 2023, a value-added tax of EGP 0.50 per pack was introduced (A. State Information Service 2023). Meanwhile, excise taxes increased as well (Daily News Egypt 2023). As a result, prices increased, and many consumers turned to cheaper illicit products.

Legal alternative tobacco products like heated tobacco and e-cigarettes could absorb some demand. However, tax hikes on these products as well kept them unaffordable relative to illicit goods. As a result, many consumers turned to illicit instead of switching to legal alternatives.

### 3.4. Drugs

Drugs are another component of Egypt's illicit trade. Between 2018 and 2022, authorities seized 9.6 tons of heroin, including 3 tons in 2022 alone. This places Egypt among the top 10 countries for heroin seizures, with amounts nearly equal to the combined total of Viet Nam (5.7 tons) and Russia (4.1 tons) (UN 2022; State Information Service 2025).

Egypt also ranks among the top countries for intercepting synthetic cannabinoids, known as "spice." Between 2018 and 2022, Egypt seized 828 kg, accounting for 22 % of global seizures, second only to Turkey (UN).

Recent cases indicate the scale of drug smuggling in Egypt. At Damietta Port, authorities seized 3.25 million captagon tablets and another 11 million tablets in 2020. They also confiscated 8.2 tons of hashish and millions of additional captagon tablets in separate operations (Egypt Independent 2020; Egypt Today 2020; Gulf News 2021). The number of cases that go undetected is likely much higher.

### 3.5. Antiquities

Egypt's cultural heritage is another target for smugglers. Since the Arab Spring in 2011, antiquities smuggling cases have increased.

From 2011 to 2018, the value of looted artifacts was estimated at \$3 billion ([Australian Broadcasting Corporation 2018](#)).

Some stolen items have been recovered. 5000 pieces were returned from the U.S. in 2021 ([The New York Times 2021](#)). However, the smuggling and trafficking of artifacts continues. More recently, in 2022, Egyptian authorities seized 448 ancient artifacts and €3 million worth of stolen cultural property ([New York Post 2024](#); [The Art Newspaper 2022](#)). These cases suggest that antiquities smuggling remains an active part of Egypt's broader illicit market.

The smuggling cases outlined above show that illicit trade in Egypt operates at a large scale. Its presence across so many areas points to a well-organized system. Once in place, it becomes a ready-made infrastructure for moving anything.

#### 4. IMPACT: illicit trade empowers criminal networks

While participating in the black market may be detrimental to the economy and society as a whole, it often provides tangible short-term benefits for both consumers and traders on an individual level. For the customer, purchasing goods or services on the black market can mean significantly lower prices, particularly when taxes, duties, or regulatory compliance costs are bypassed. This can be especially appealing in countries with high VAT or where official markets are heavily regulated or inefficient.

For the trader, operating informally allows them to avoid licensing fees, labor regulations, and tax obligations. This reduces their costs and increases their margins, potentially making their business more profitable or even viable in cases where it might otherwise not survive in the formal economy.

However, while these personal gains may make black market transactions appealing to individuals, the broader economic consequences are negative. The state loses tax revenue, legitimate businesses face unfair competition, labor protections are undermined, and regulatory oversight is weakened, which can lead to lower product safety, environmental harm, and wider inequality. In the long run, the apparent benefit to individuals contributes to systemic issues that can ultimately hurt everyone, including those who initially gained.

Illicit trade also fuels various forms of crime that hurt ordinary people. Smugglers rarely act alone. Illicit trade requires multiple illegal processes, including sourcing or producing goods, crossing borders, forging documents, finding buyers, and handling payments.

These actions are difficult to carry out without expert help, which is why smugglers often rely on broader criminal networks. These networks provide protection, coordination, and ways to avoid law enforcement. In many cases, they manage the entire process, from producing counterfeit goods to transporting them across borders and into local markets.

In return, these networks benefit from illicit trade in two main ways. First, criminal networks reuse smuggling infrastructure. Smuggling requires people, transport routes, vehicles, warehouses, and political protection. Once this system is in place, it can be used for other crimes. A truck that once carried cigarettes may transport weapons. A tunnel built for moving textiles can be used for explosives.

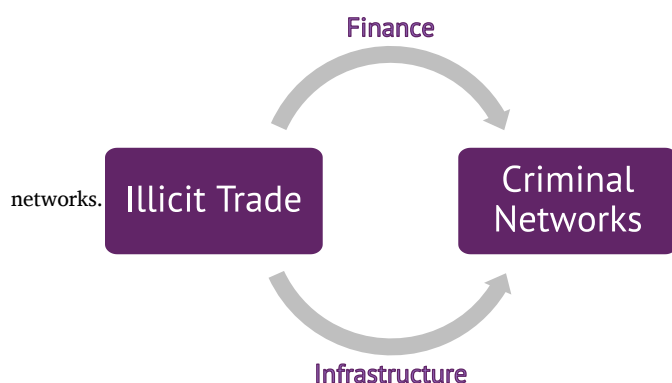
For example, in Egypt, the infrastructure used for smuggling goods has been repurposed for human smuggling. Following the introduction of a visa requirement for Sudanese nationals in 2023, demand for human smuggling increased ([Refugees International 2025](#)). Gold smuggling networks along the Sudanese-Egyptian border began to smuggle migrants ([A. Middle East Eye 2025](#)). A driver involved in these operations described that at least 200 vehicles cross the border each day, transporting not only goods like fuel but also people ([A. Middle East Eye 2025](#)). Reports suggest that hundreds of Sudanese are being smuggled across the border into Egypt ([Ayin Network 2024](#)).

This can lead to even more violent crimes. For example, to cross the border, people may pay €2300 to €2800 per person ([Global Initiative Against Transnational Organized Crime 2024](#)). To ensure payment, smugglers sometimes abuse migrants, raping women, hanging men upside down, and beating or burning victims with cigarettes. Some migrants die or lose the will to live ([Human Rights Watch 2014](#)). In some cases, people who cannot afford the fee are forced to sell their organs to cover the cost ([A. The Guardian 2024](#)). Reports indicate that some people smuggled to Egypt may have been victims of organ trafficking. While the sale of kidneys is illegal, paying for the surgery is not ([Reuters 2016](#)). In Egypt, a kidney can sell for anywhere between \$5000 and \$20,000 ([A. The Guardian 2024](#)). Some patients pay up to \$100,000 for a transplant ([A. The Guardian 2024](#)). These crimes cause lasting harm and show how smuggling hurts ordinary people.

Second, illicit trade generates funds for organized crime. According to the UN Commission on Crime Prevention and Criminal Justice, it is the second-largest source of income for criminal activity worldwide ([A. KPMG 2017](#)). Illicit trade is attractive for two main reasons. First, it does not require registration, reporting, or tax compliance. This invisibility reduces the risk of detection of illegal income and other criminal activities by the respective networks. Second, the profit margins are often much higher than in legal markets. The European Economic and Social Committee (EESC) estimates that some illicit goods, such as illegal alcohol, can generate profit margins exceeding 900 % ([European Economic and Social Committee 2018](#)).

As a result, many criminal networks around the world rely on illicit trade as a key source of finance ([Vision of Humanity 2024](#)). The Islamic State of Iraq and Syria (ISIS) generated up to \$2.9 billion annually, most of it from oil smuggling ([Institute for Economics and Peace 2024](#)). Al-Qaeda used illicit trade in cigarettes and apparel as one of its revenue streams ([A. KPMG 2017](#)). The Taliban financed approximately 60 % of its operations through the illicit drug trade, generating between \$100 and \$400 million annually ([BBC 2021](#)). An estimated 80 % of the world's \$57 billion captagon trade is believed to originate from Syria under the Assad regime, where state-linked actors have been accused of supporting terrorist networks ([UK Government 2023](#)). Lashkar-e-Taiba, a criminal militant group in Pakistan, and the Irish Republican Army, a paramilitary organization in Northern Ireland, used smuggling to fund violence. D-Company, a criminal syndicate in India, is believed to have expanded its influence through illicit trade ([A. KPMG 2017](#)).

These cases show that illicit trade often forms the financial backbone of organized crime. The larger the illicit market, the stronger these networks become. Egypt's extensive illicit trade likely contributes to similar



Illicit trade not only empowers criminal networks but also directly triggers crimes that undermine the state from within. Illicit trade depends on secrecy, often maintained through bribery or other forms of corruption to avoid inspections or law enforcement. In Egypt, corruption has increased over the past decade. According to Transparency International, the country fell from 88th place (out of 167) in 2015 to 130th (out of 180) in 2024 on the global Corruption Perceptions Index (Transparency International 2025). Illicit trade is likely a contributing factor. Higher levels of corruption erode fairness, undermine public services, and force people to pay bribes for things that should be guaranteed, such as healthcare, or equal treatment in court. (Fig. 6)

To avoid detection and conceal the origins of illicit trade, smugglers often try to launder illegal profits. In 2019 alone, Egyptian authorities seized about \$178 million linked to money laundering (Organized Crime and Corruption Reporting Project 2019). Widespread money laundering weakens trust in banks and slows financial processes for ordinary people. As a result, illicit trade fuels crimes that weaken institutions.

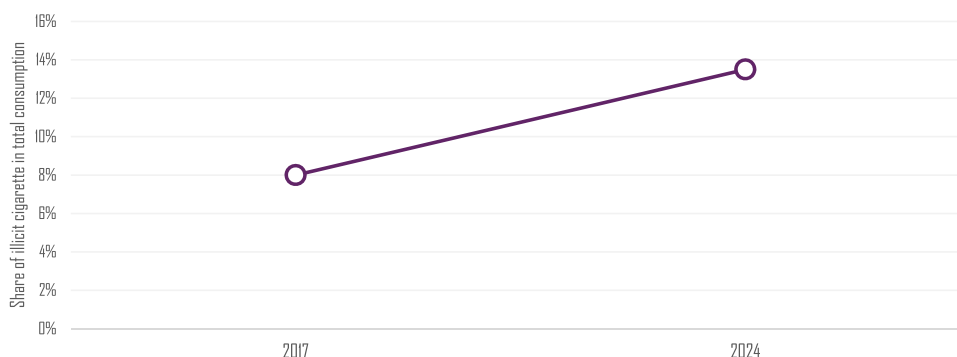
Illicit trade also fosters social acceptance of crime, leading to further violence. In areas where smuggling and organized crime are widespread, violence increases, and illegal behavior becomes part of daily life. Some videos even portray smugglers and other criminals as heroes, especially among younger people (A. Thomas Hüskén 2017). This normalizes lawbreaking, weakens respect for the law, and lowers the barrier to violence. As more people become desensitized to crime, violent behavior becomes more frequent. UN data shows that more than 60 % of young men in Egypt were involved in at least one fight last year, and 75 % of them were seriously injured (WHO 2011). Moreover, smugglers often carry assault weapons, raising the risk of clashes with police or civilians (A. Thomas Hüskén 2017). This means illicit trade spreads more violence.

As a result, illicit trade triggers a series of illegal activities, leaving ordinary Egyptians to pay the price.

##### 5. Complication: as illicit trade grows, the formal economy suffers, authorities lose resources to fight, and criminals face fewer barriers to expansion

Illicit trade erodes the formal economy and limits the state's capacity to respond to challenges. According to Egypt's Prime Minister, smuggling deprives the state of 4–5 % of total revenues (Sada Elbalad, 2025). A large portion of these losses come from illicit tobacco alone. Based on the latest estimates, in 2024 nearly one in seven cigarettes in the market was of illicit origin (Fig. 5). Legal tobacco products contribute 5–6 % of total tax revenue, making them a key source of fiscal income (Hanafy, 2023). This means that tax revenue losses from illicit tobacco are almost 1 % of total tax revenue.

As the government misses out on revenue, it loses the capacity to protect citizens from crime and improve public services. Weaker law enforcement allows criminal networks to grow stronger. As these networks expand, they further weaken markets and state authority. This leaves fewer resources to fight crime.



**Fig. 5.** Share of illicit cigarettes in total consumption in Egypt. Source: ministry of finance, Egypt (2018). Illicit tobacco trade and taxation in the eastern mediterranean 8–9 November 2018 American University of Beirut; Suleiman, M. (2025). Emirati Cigarettes Pass Through Sinai to Israel – Egyptian Smuggling Networks. Al-Araby Al-Jadeed.

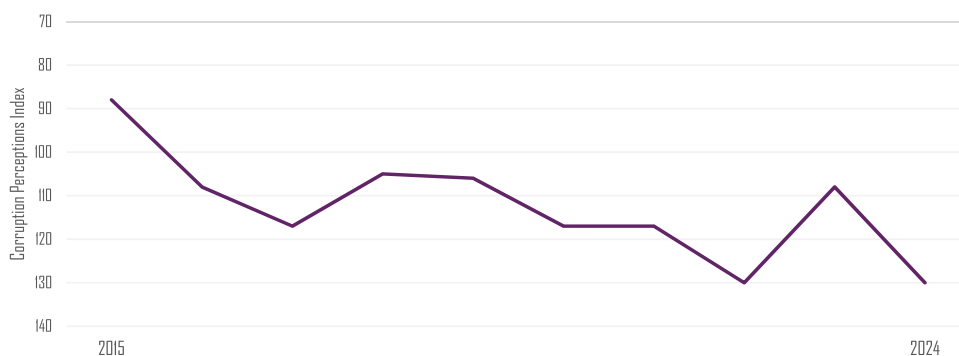


Fig. 6. Egypt's corruption perceptions index (CPI). source: transparency international (2025). Corruption Perceptions Index.

The damage goes beyond public revenue losses. Smuggling discourages entrepreneurship and innovation as it creates unfair conditions that distort market incentives. When legal businesses cannot compete with untaxed, unregulated products, people are less likely to start a business. In 2024, only 5.2 % of Egyptians reported starting a business or similar activity, down from 14.3 % in 2016 (Fig. 7). Firms are less likely to invest in research, new technology, or product design when illicit products undercut formal efforts. As a result, the country's innovative capacity erodes.

Moreover, smuggled goods and illicit trade weaken formal firms and discourage investment. Over the past decade, private investment in Egypt has averaged just 6.3 % of GDP, barely one-fifth of the average for middle-income countries (Fig. 8).

Fewer new businesses and lower investments make Egypt less competitive globally. Between 2014 and 2023, exports of goods and services averaged<sup>1</sup> 14.5 % of GDP, nearly ten percentage points lower than the decade before (Fig. 9). Egypt is exporting more basic goods and fewer advanced ones than before. According to the Economic Complexity Index, that ranks countries by how advanced and diverse their exports are, Egypt fell from 65th place in 2014 to 71st in 2023 (Harvard Growth Lab 2024).

As a result, smuggled goods not only provide criminals with finance and infrastructure but also harm the economy.

## 6. Solution: blocking smuggling at entry, cracking distribution, and replacing with legal alternatives will constrain illicit trade across all fronts. leveraging big data and AI will enhance law enforcement

Direct confrontation with criminals may be ineffective, as it does not dismantle the systems that sustain them. It can trigger violence, cost lives, and prolong instability.

Targeting the structures of illicit trade, by contrast, weakens criminal networks without escalating into full-scale ct. First, reducing illicit trade will deprive criminal networks of infrastructure and finance, undermining their capacity to operate. Second, with fewer illegal goods in the market, legal businesses gain competitiveness, state revenues rise, and enforcement can be better funded.

We propose a framework to tackle illicit trade: **BLOCK** illicit goods before they reach markets by targeting borders and smuggling routes. **CRACK** internal distribution by identifying and disrupting illegal supply chains. **REPLACE** illicit markets by shifting demand to legal alternatives.

Applying technologies like **big data** and **Artificial intelligence (AI)** will make enforcement faster, smarter, and more

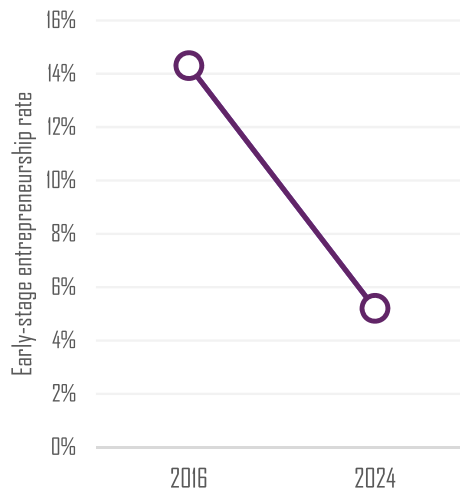


*BLOCK to stop smuggled goods at border*

### 6.1. BLOCK to stop smuggled goods at border

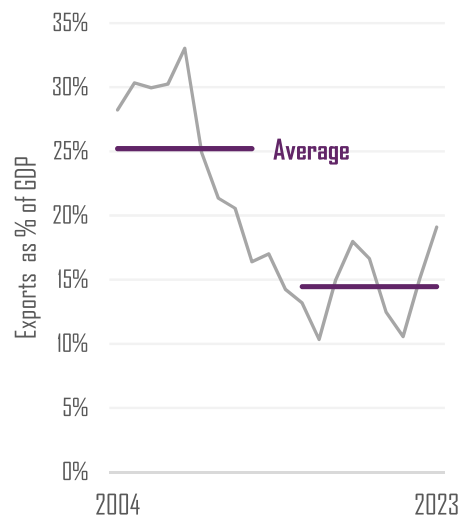
Several mechanisms should be employed to block smuggled goods.

<sup>1</sup> Simple average



Global Entrepreneurship Monitor (2025). Entrepreneurial behaviour and attitudes

Fig. 7. Early-stage entrepreneurship rate in Egypt. Global entrepreneurship monitor (2025). Entrepreneurial behaviour and attitudes.

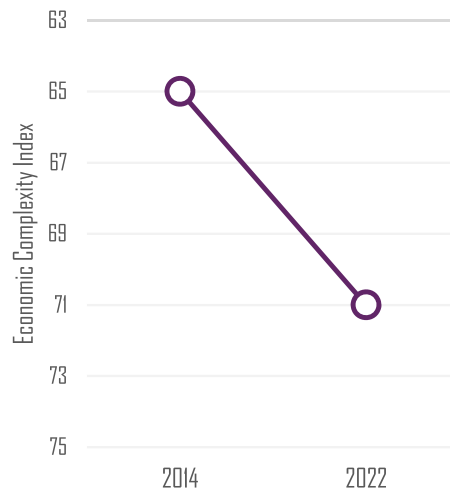


World Bank (2024). Exports of goods and services (% of GDP)

Fig. 8. Exports of goods and services as share of GDP In Egypt. World bank (2024). exports of goods and services ( % of GDP).

**Require special transport licenses for high-risk goods.** All shipments of goods at a high risk of being smuggling such as textiles, tobacco, and electronics, should be registered with the Ministry of Interior and accompanied by a scannable transport permit that includes route, vehicle ID, and consignee details. Random roadside and checkpoint inspections should verify licenses using handheld scanners linked to a national database. This will make it harder for smugglers to move illegal goods within Egypt's borders. It will also help trace supply routes, catch unregistered traders, and create a paper trail for enforcement and taxation.

**Conduct risk assessments of countries linked to high volumes of smuggled goods.** The Ministry of Trade and Industry, in coordination with Customs, should classify source countries into risk tiers based on enforcement gaps, volume of illicit trade, and history of cooperation. Imports from high-risk countries should face enhanced inspection, stricter documentation, and delayed clearance until verified. This will help filter suspicious shipments before they enter domestic markets.



Harvard Growth Lab (2024). Country & Product Complexity Rankings

Fig. 9. Economic complexity index in Egypt. Harvard growth lab (2024). country & product complexity rankings.

**Build a dynamic blacklist of frequently smuggled brands.** The Customs Authority and Consumer Protection Agency should use seizure records, sales anomalies, online listings, and empty-pack surveys to detect patterns and update the list in real time. Inspection teams should use mobile apps linked to the blacklist to flag high-risk shipments at borders, warehouses, and retail outlets. To avoid false positives, the system must verify legality through customs declarations, import permits, and tax records. This approach would streamline enforcement by focusing on the most suspicious goods while maintaining due process, ultimately shrinking the market for repeat smuggled products and raising the cost of doing business for traffickers.

**Tighten customs checks by deploying electronic scanning systems powered by AI image processing** at all major borders, ports, and airports. Customs teams should operate fixed scanners at shipping terminals and mobile X-ray units at road crossings, with AI trained to detect anomalies in cargo images in real time. The Ministry of Finance and the Customs Authority should lead implementation, beginning with high-risk entry points such as Salloum and Damietta. This technology will speed up inspections, reduce human error, and expose concealed goods more reliably. As a result, fewer smuggled products will enter the country, weakening the supply lines of illicit trade.

**Expand use of drones and equip them with AI-powered image processing systems.** High-resolution drones should patrol known smuggling routes, while AI algorithms detect irregular movement patterns, flag heat signatures, and cross-reference GPS data with authorized transport logs. Data from drone feeds will be integrated into a central risk-monitoring platform managed by the Ministry of Interior, allowing alerts to be sent automatically to mobile enforcement units. This will shift monitoring from reactive patrols to proactive detection. It will help catch smugglers before they cross and allow faster deployment of interception teams.

## 6.2. CRACK to follow the flow and break the chain

Enforcement should also target the internal illicit market through stronger penalties, active partnership with private sector, and better market intelligence to expose illegal dealers and dismantle trafficking networks operating inside the country.

**Increase penalties for illicit trade to raise the cost of breaking the law.** Retailers caught selling smuggled goods should face fines between EGP 500,000 and EGP 1 million, or 10 times the unpaid excise tax, along with immediate confiscation of the products. For smugglers, the law should impose fines equal to 100 times the lost tax value and up to 10 years of imprisonment. These penalties will deter illicit trade and raise the cost for repeat offenders.

**Establish public-private partnerships (PPP) with industries to identify and target dealers of smuggled goods.** Companies in sectors like textile, tobacco, and electronics, may hold data on legitimate distribution routes, pricing, and product codes, which can help detect anomalies in the market. The Ministry of Finance and Consumer Protection Agency should collaborate with these companies and use joint intelligence to support enforcement. This collaboration will help trace illegal supply chains more accurately and expose informal traders who undercut legal companies.

**Expand unannounced inspections in retail shops, warehouses, and transit hubs.** A hotline, accessible via phone and app, will allow citizens, whistleblowers, and businesses to report smuggling and get rewarded. Reports will feed into a central database and be cross-checked with known risk areas and previous violations to prioritize follow-up. This will increase pressure on illegal dealers and make it harder for smuggled goods to stay hidden. It will also expand the state's visibility into the market without needing constant surveillance.

### 6.3. REPLACE to strengthen industries and incentivize legal alternatives

Enforcement alone cannot curb illicit trade. Egypt should also weaken demand for illegal goods by making legal alternatives more competitive.

**Support formal firms in sectors with higher smuggling to help them compete against smuggled goods.** Egypt should offer input subsidies and selective tax relief to compliant firms. This will reduce production costs and narrow the price gap between legal and illicit products. It will help formal firms retain market share and limit the space for illegal trade to grow. In sectors like tobacco, for example, where rising taxes drive consumers toward illicit products, supporting access to alternatives such as heated tobacco products and e-cigarettes can serve as a safety net to reduce illicit demand.

**Reduce customs duties on raw materials used in key industries like textiles, electronics, and tobacco alternatives to lower production costs.** Egypt should adjust import tariffs for approved manufacturers. Eligible firms must be formally registered and meet traceability and tax compliance standards to benefit. This will make legal production more competitive and reduce the price gap between formal and smuggled goods. It will also encourage firms to stay in the formal economy and invest in scaling up domestic output.

**Launch public awareness campaigns to make smuggling socially unacceptable by showing that while buying illicit goods saves money, it fuels crime and weakens the country.** The Ministry of Information and Consumer Protection Agency should lead targeted outreach through media, using real stories to expose how smuggling harms people. Campaigns should focus on low-income households and border regions where smuggled goods are most common. By showing that cheap illegal goods come at the cost of rising insecurity, the campaign can shift public attitudes.

### 6.4. Use big data and AI to enhance law enforcement

Traditional data processing is too slow and error-prone to detect modern smuggling. Big data and AI can analyze millions of records quickly, find hidden trends, and reduce enforcement gaps. Authorities already collect large datasets, from customs to retail, but lack integrated analysis tools. AI tools can identify discrepancies, such as products sold without matching customs declarations, or inconsistencies between declared and actual transport routes.

Italian law enforcement, for example, used big data to dismantle a drug trafficking ring by linking phone records, financial flows, and social media activity, leading to major arrests ([Faster Capital](#)).

Egypt should establish an agency, Regulatory Authority for Smuggling Enforcement and Data (RASED<sup>2</sup> – راصد), to lead data-driven enforcement. RASED should unify datasets across customs, tax, retail, and law enforcement. It will issue real-time alerts, generate risk scores for shipments, and track illicit flows. RASED should work with private firms to track legal product paths and detect diversions. It will publish heatmaps, dashboards, and reports to support field operations. RASED will help Egypt transition from fragmented enforcement to an intelligence-led response.

## 7. Conclusion

Extensive illicit trade persists in Egypt. In the textile sector, illicit goods have displaced legal production and weakened recovery efforts. In the mobile phone market, 80 % of devices are smuggled. Nearly one in seven cigarettes is now illicit, driven by price increases.

Illicit trade fuels criminal networks by financing criminal networks, leaving ordinary Egyptians to pay the price. In March 2025, the Prime Minister met with top officials to address the growing threat ([Sada Elbalad, 2025](#)).

This paper proposes a comprehensive framework to reduce illicit trade and, in turn, weaken criminal networks. Enforcement should target both border entry points and domestic market supply chains. Border controls should include AI-powered scanners, traceability systems, dynamic blacklists, and targeted inspections. Within domestic markets, public-private cooperation, and stronger penalties will help expose and disrupt illicit trade. Big data and AI can enhance law enforcement by detecting hidden patterns and enabling real-time responses.

However, enforcement alone might not be enough - as long as smuggled goods are cheaper, demand will persist. Making legal alternatives more affordable can help reduce demand for smuggled goods. Lowering import duties and offering tax relief can help make legal alternatives more affordable. This will also strengthen the economy that, in turn, can help reinforce state capacity against criminal networks.

### CRediT authorship contribution statement

**Maged Ali:** Conceptualization, Data curation, Formal analysis, Investigation, Methodology, Supervision, Validation, Visualization, Writing – original draft, Writing – review & editing.

<sup>2</sup> means “observer” or “tracker” in Arabic

## Declaration of competing interest

There is no conflict-of-interest with regards to this submission.

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## Glossary

**Smuggling:** The illegal movement of goods or people across borders to avoid taxes, duties, or legal restrictions.

**Illicit trade:** Trade in goods or services that are illegal by nature or become illegal due to how they are sourced, transported, or sold, including smuggling, counterfeiting, and unlicensed production.

**Counterfeit:** Imitation goods produced and sold under someone else's trademark without permission, often used to deceive consumers or authorities (e.g., fake electronics, clothing, or tobacco).

**Non-domestic products:** Goods that are manufactured or sold outside the country but found in local markets, often through legal imports or smuggling. In this report, it often refers to illicitly imported cigarettes.

**Informal economy:** Economic activities not monitored or taxed by the government, including unregistered businesses and untaxed goods or services.

**Trafficking:** The illegal trade or movement of people or goods, typically involving coercion, deception, or exploitation. This includes human trafficking, drug trafficking, organ trafficking, and weapons trafficking.

**Money laundering:** The process of disguising illegally obtained funds to make them appear legal, typically by passing them through businesses or financial systems.

**Economic complexity:** A measure of a country's productive capabilities based on the diversity and sophistication of its exports.

**Captagon:** A synthetic amphetamine-type stimulant widely trafficked in the Middle East, often associated with organized crime and terrorism financing.

**Big data:** Extremely large datasets that can be analyzed computationally to reveal patterns, trends, and associations, especially relating to human behavior and interactions.

**Artificial Intelligence (AI):** Computer systems capable of performing tasks that typically require human intelligence, such as pattern recognition, risk prediction, or decision-making in enforcement.

**Excise tax:** A government levy on specific goods such as tobacco or alcohol, often used to reduce consumption or raise revenue.

**Value-Added Tax (VAT):** A consumption tax levied on the value added to goods and services at each stage of production or distribution. It is ultimately paid by the end consumer.

**Public-private partnership (PPP):** A collaboration between government entities and private firms to share data, resources, or responsibilities for achieving shared goals, such as curbing illicit trade.